

## Assessment

### Module 3: Interest Income

#### Part 1

Determine whether the interest income is taxable or tax-exempt. Answer the following questions by typing the words *taxable* or *tax-exempt* in the space provided. To assess your answers, click the *Check My Answers* button at the bottom of the page.

- 1) Interest received on a certificate of deposit (CD) is

- 2) Interest received on a bond issued by the state of California to fund school buildings is

- 3) Interest received on a loan you made to your business partner is

- 4) Interest received on a bond issued by the city of Austin, Texas, for a redevelopment project is

- 5) Interest income is considered

- ☐ A. earned income  
☐ B. unearned income

#### Part 2

Review Form 1099-INT for Gloria Sanchez by clicking the button *View Form 1099-INT*. Then, answer the following questions by typing your answers in the space provided. To assess your answers, click the *Check My Answers* button at the bottom of the page.

[View Form 1099-INT](#)

- 1) What is the taxpayer's full name?

- 2) How much interest income, not including interest on U.S. Savings Bonds and Treasury obligations, did the taxpayer earn?

- 3) Did the taxpayer earn interest on U.S. Savings Bonds?

- ☐ A. Yes  
☐ B. No

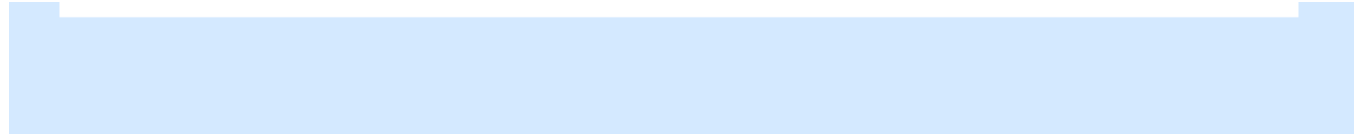
- 4) Which box shows the federal income tax withheld?

- 5) Should taxpayers report taxable interest income that does not appear on Form 1099-INT?

- ☐ A. Yes

☐ B. No

[Check My Answers](#)



☐ CORRECTED (if checked)

|  |                                   |   |  |   |
|--|-----------------------------------|---|--|---|
| PAYER'S name, street address, city, state, ZIP code, and telephone no. |                                   | Payer's RTN (optional)  | OMB No. 1545-0112<br><br><b>2007</b><br><br>Form <b>1099-INT</b> | <b>Interest Income</b><br><br><br><br><br><br><br><br><br><br><b>Copy B<br/>For Recipient</b><br><br>This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported. |
|  |                                   | 1 Interest income<br>\$                                       |  |   |
|  |                                   | 2 Early withdrawal penalty<br>\$                              |  |   |
| PAYER'S federal identification number                                  | RECIPIENT'S identification number | 3 Interest on U.S. Savings Bonds and Treas. obligations<br>\$ |  |   |
| RECIPIENT'S name   |                                   | 4 Federal income tax withheld<br>\$                           | 5 Investment expenses<br>\$                                      |   |
| Street address (including apt. no.)                                    |                                   | 6 Foreign tax paid<br>\$                                      | 7 Foreign country or U.S. possession                             |   |
| City, state, and ZIP code  |                                   | 8 Tax-exempt interest<br>\$                                   | 9 Specified private activity bond interest<br>\$                 |   |
| Account number (see instructions)                                      |                                   |   |  |   |

Form **1099-INT**

(keep for your records)

Department of the Treasury - Internal Revenue Service